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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 02/07/08

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ARTICLES:

(1) 23 organizations file request with U.S. consulate to return Itazuke Air Base

AKAHATA (Page 4) (Full)
February 7, 2008

Part of an aging building on U.S. Itazuke Air Base at Fukuoka Airport is scheduled to be demolished by the end of June this year. Yesterday, 23 peace and democratic organizations, including the Japanese Communist Party Fukuoka Prefectural Committee and the Fukuoka Prefecture Reformist Council to Defend Peace and Livelihood, filed requests with the Kyushu Defense Bureau and the U.S. Consulate in Fukuoka, seeking the U.S. base be completely removed and returned on the occasion of the building's demolition. The group of representatives was accompanied by Takaaki Tamura, Kiyoshi Shinoda and Tokiko Kobayashi, who are scheduled to run in the next Lower House election on the JCP ticket for the Kyushu-Okinawa Bloc in the proportional representation segment.

According to the requests, U.S. Itazuke Air Base sits on the south side of the Fukuoka Airport international terminal building. Exclusively used by the U.S. military during the Korean War and the Vietnam War, the Itazuke base and Hakata Port suffered extensive damage from U.S. military aircraft crashes, rapes, robberies by U.S. servicemen and the like. The airport's runway is still being used by the U.S. military. Reportedly, some 100 U.S. military cargo planes fly into the base annually, and military supplies, including ammunition, are transported to Sasebo, Nagasaki Prefecture, by land.

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The plan is designed to demolish two-thirds of the warehouse on the U.S. military area (of about 22,000 sq. meters) to make it into a vacant lot. The Kyushu Defense Bureau notified the Itazuke Base Reversion Promotion Consultative Council, chaired by Fukuoka Municipal Assembly President Hiroshi Kawaguchi, of the plan last November.

A Kyushu Defense Bureau Planning Department Local Coordination Division official indicated that there is a plan for (the U.S. military) to use the vacated area, adding, "Totally returning the site immediately to Japan is difficult. We will continue talks (with the U.S. military), seeking the base's return."

Meanwhile, a U.S. consulate officer refused to meet the representatives. They then handed a letter of requests addressed to President George W. Bush to a consulate guard and chanted in front of the consulate, calling for a total removal and return of the Itazuke base and refusal of the missile cruiser USS Princeton, scheduled to enter Hakata Port on Feb. 11.

(2) Rally held at Ishikari Bay New Port against Aegis-equipped John S. McCain

AKAHATA (Page 4) (Abridged slightly)
February 7, 2008

The liaison council to defend the peace of the city of Ishikarai, headed by Hideo Masujin, held a rally at Bannaguro pier in protest against entrance yesterday morning into Ishikari Bay New Port straddling Ishikari and Otaru cities by the Aegis-equipped U.S. Navy destroyer USS John S. McCain of the Seventh Fleet. The rally was attended by some 100 protesters from the two cities.

This is the second time for a U.S. naval vessel to enter Ishikari New Port, following last year. In the gusty wind, the protesters chanted against the birthed John S. McCain, "Go home, U.S. naval vessel! Ishikari Bay must not become a military port!"

Hokkaido Confederation of Trade Union Chief Secretary Masanori Komuro said:

"The U.S. military is aiming to enter Otaru Port on Feb. 7, relocate the fighter plane training to the Chitose base, and conduct a Japan-U.S. joint exercise at the Yausubetsu Training Range. Let us fight tooth and nail to prevent all of Hokkaido from becoming a base."

Confederation Otaru Region President Kaoru Aoyagi went:

"Backed by citizens' voices, Otaru once refused a U.S. naval vessel's port call. A mayoral race is also going on in Iwakuni, Yamaguchi Prefecture, against the move to strengthen the U.S. base there. Let's spread the movement by joining hands with other municipalities across the country."

Shoko Yamasaki, 26, of the Democratic Youth League of Japan said in a strong tone:

"A port call during the Sapporo Snow Festival by the U.S. vessel that is killing people in the Iraq war is intolerable."

Satoshi Miyauchi, who will run in the next Lower House election on
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the Japanese Communist Party's ticket to seek a Hokkaido proportional representation seat, also joined the rally and delivered a speech.

(3) DPJ opposes planned relocation of U.S. aircraft training to Chitose

MAINICHI NET (Full)
February 7, 2008

The Democratic Party of Japan, Hokkaido, urged the Hokkaido government yesterday to convey to the central government its opposition to the relocation of U.S. military aircraft training to the Chitose base, scheduled for later this month, reasoning that it will seriously threaten the peace of Hokkaido and the safety and security of people in Hokkaido.

(4) Prime Minister Fukuda uses experts councils to give his administration a boost

SANKEI (Page 5) (Slightly abridged)
February 6, 2008

Prime Minister Yasuo Fukuda has set up experts councils, such as the National Council on Social Security, in the Prime Minister's Official Residence since taking office. The prime minister's aim is to play up his own political identity. Some have said that there is the possibility that his efforts will go nowhere.

In a board meeting on Feb. 4 of the ruling Liberal Democratic Party (LDP), Fukuda revealed a policy of launching an experts panel on environmental issues. He stressed to reporters: "I want to create an organization like a control tower. I also want to set up council to study what industrial circles and the public should aim for."

Fukuda is looking toward the July Group of Eight summit, in which the battle against global warming will become a major topic of discussion. "He is eager to come up with environmental policy that can appeal to the international community," a person close to Fukuda said.

The prime minister late last year formed the Council on Reform of the Defense Ministry to deal with the bribery case involving the former vice defense minister and the Foreign Policy Study Council. Along with environmental issues, he is focusing on consumer affairs.

Fukuda announced on Jan. 4 a policy of integrating consumer administration extending over several ministries and agencies. In the wake of the Chinese gyoza dumplings scare, he declared that he would establish Consumer Administration Headquarters earlier than planned, aiming at reaching a conclusion as early as April.

Meanwhile, he has been indifferent to the Education Revitalization Council, which was set up by former Prime Minister Shinzo Abe.

Fukuda told reporters last evening: "Issues related to various ministries and agencies cannot be pushed ahead because of the evils of the vertically fragmented system of administration." A government official also underscored: "Prime Minister Fukuda tends to seek views on a broad range of areas."

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Some in the LDP, however, are cool to the premier's approach. A former cabinet minister made this comment: "The prime minister does not have close friends who work on his behalf. His idea of forming councils of private-sector persons symbolizes his solitude." Whether the councils function or not is up to Fukuda's leadership.

(5) Fierce argument on whether to approve foreign investment in airport operators: Security vs. growth strategy

ASAHI (Page 2) (Almost full)
February 6, 2008

The Ministry of Land, Infrastructure and Transport (MLIT) plans to restrict foreign investment in Haneda Airport and Narita Airport operators. Three cabinet ministers, including State Minister for Financial Policy Yoshimi Watanabe, yesterday expressed their opposition to the move. The Ministry of Economy, Trade and Industry is also urged to reach a decision on whether to approve foreign investment in leading energy companies. Discussions of which to give priority -- security that places importance on the public nature of airports and utility companies, or growth strategy using foreign investment in Japan -- pursued by the government and the ruling companies will come to a climax, while receiving attention also from the stock market.

A joint meeting of the Land and Transportation Division and the Aviation Measures Special Committee was held at Liberal Democratic Party (LDP) headquarters. When Land and Transportation Division Chairman Takashi Mitsubayashi cut the meeting short with the premise that the LDP would approve the adoption of a regulation restricting foreign investment, participants against the move pressed Mitsubayashi and asked him to withdraw the proposal.

Amid angry roars, final decision-making was entrusted to the division chairmen. However, intraparty procedures, such as securing approval from the General Council, slated for the same day, were postponed. In the end, it was decided to hold a division meeting again on the 6th to obtain understanding from lawmakers opposing the proposal.

MLIT intends to introduce to the current Diet session a bill amending the Airport Development Law aimed at adopting a regulation restricting foreign investment in the operators of Narita Airport and Haneda Airport.

However, a growing number of LDP members are opposing the move. Following State Minister for Financial Policy Watanabe, who had already expressed his opposition, State Minister for Economic and Fiscal Policy Ota during a cabinet meeting on the morning of Feb. 5 said, "Such a regulation could give the impression that Japan is closing itself to the outside." State Minister for Regulatory Reform Kishida also expressed his intention to seek a policy change from MLIT.

Their opposition to the move is based on the possible negative impact on inward foreign direct investment. The government plans to compile a growth strategy in April. One feature of the package is consolidating the environment for doubling inward foreign direct investment. The idea is to boost growth of domestic industries, raising investment funds from all over the world.

Prime Minister Fukuda during the World Economic Forum Annual Meeting

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(Davos Conference) on Jan. 26 stated, "I will make further efforts to open the Japanese market, including inward foreign direct investment." A new regulation restricting foreign investment would serve as a negative factor for the administration, which is under fire on economic policy.

The share prices of Japan Airport Terminal Co., the operator of Haneda Airport, plunged more than 100 yen from the previous day on the negative reaction to the proposed restriction on foreign investment. However, when the LDP divisions put off approving related bills, the stock price rose 100 yen. The price of the stocks of that company fell more than 40%, compared with the level of late September last year, before MLIT Minister Fuyushiba announced a plan that would consider such a possibility.

Foreign investors account for 60% of trading on the Tokyo Stock Exchange. An official at an institutional investor pointed out that the adoption of such a regulation would accelerate the move away from Japan stocks.

Meeting with a backlash, MLIT's bargaining card is security. Its stance is that foreign investment in airport operators should be regulated due to security needs, such as the emergency use of airport facilities. LDP members in favor of giving priority to security have increased. Chief Cabinet Secretary Machimura also indicated understanding, noting, "The security issue must be taken into consideration to a considerable extent."

However, Prime Minister Fukuda on the evening of the same day told reporters, "I think we will hit on a good idea while pursuing discussions." He is thus determined to take a wait-and-see attitude.

MLIT has given up on reaching a decision at a cabinet meeting on the 8th. It will instead aim at doing so on the 12th. A last-ditch battle between those who aim for growth and those who attach importance to security will continue.

(6) Discord growing in Fukuda cabinet over foreign ownership of airports; Judgment left to Kantei

MAINICHI (Page 9) (Slightly abridged)
Evening, February 6, 2008

Discord in the Fukuda cabinet is growing over the Transport Ministry's plan to limit foreign stakes in airport operations. Following Financial Services Minister Yoshimi Watanabe, Economic and Fiscal Policy Minister Hiroko Ota and Regulatory Reform Minister Fumio Kishida also began to voice opposition to the plan, standing against Transport Minister Tetsuzo Fuyushiba.

In a joint meeting of the Liberal Democratic Party's Land and Transport Division and its Special Committee on Aviation on Feb. 5, one participant shouted: "These proceedings are no good." That person reacted to the way of proceeding with the meeting by Chairman Seiichi Ota looking at approving the proposed regulations. It was decided in the end to put off internal procedures that day.

The Transport Ministry wants to limit the voting rights of foreign investors to less than one-third in major airport operators, like the Narita International Airport Corp. by amending the Airport Development Law. In Britain, where there were no restrictions, a

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Spanish firm has acquired the operator of Heathrow Airport after it was privatized. The ministry think that Japan must avoid following in the footsteps of Britain.

The Macquarie Group, an Australian investment banking group, acquired last summer more than 19% of the shares in Japan Airport Terminal Co. (JAT), which operates Haneda Airport. This development bolstered the ministry's sense of alarm at foreign capital. The Transport Ministry reiterates the need to place regulations on foreign capital also from the viewpoint of security.

But Finance Services Minister Watanabe is against the planned restrictions, citing Prime Minister's pledges in the Davos Conference in Switzerland last month to do more for Japan to try to shore up foreign investment in the nation. Many also voice concern that reports of foreign-ownership restrictions could negatively affect the stock market. Narita International Airport Corp. has offered lucrative post-retirement jobs for Transport Ministry officials. But last June, then Chief Cabinet Secretary Yasuhisa Shiozaki in the Abe administration took the lead in installing a person in the private sector to the "reserved seat for retired Transport Ministry bureaucrats," making him the first president from the private sector.

But under the Fukuda administration, conflict has been going on over the structural reform policy introduced by the Koizumi administration and continued by the Abe administration. Former Secretary General Hidenao Nakagawa and former Chief Cabinet

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Secretary Kaoru Yosano were at odds over if there is "buried money

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[special reserves]" in the government. Former Internal Affairs minister Heizo Takenaka has criticized the government and the ruling camp for their attempt to raise the consumption tax in the future. Besides, Watanabe also clashed head-on with Transport Minister Fuyushiba over whether to privatize independent administrative corporations. Some officials of the Transport Ministry are perplexed with the ongoing heating discussion on the propriety of the proposed restrictions on foreign ownership of airports, with one official grumbled: "The dispute on the proposed restrictions has developed into a political issue, going beyond just a policy debate." In the Financial Services Agency, as well, a senior official was overheard saying: "There will be no other means but to leave a decision in the hands of the Prime Minister's Office (Kantei)." But asked last night about if he is ready to hand down a judgment, Fukuda replied: "We are not in such a situation now."

(7) Monetary cooperation not in sight: What measures will G-7 to be held in Tokyo on Feb. 9 propose in dealing with subprime mortgage crisis?

ASAHI (Page 3) (Slightly abridged)
February 6, 2008

The meeting of finance ministers and central bank governors from the Group of Seven (G-7) industrial power will take place in Tokyo on Feb. 9. Amid the spillover effect of the subprime mortgage fiasco casting a pall over the future of the global economy, the focus of the meeting is whether it can show a path toward stabilizing the chaotic monetary market. However, with the U.S., and Japan and European countries wide apart in the situations they are placed, including economic conditions and their sense of crisis, there is little room for them to take concerted action.

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U.S. having its back against wall to stave off recession

The G-7 this time will take place in Tokyo for the first time in eight years in the run-up for the G-8 summit Japan will hold in July. Finance Minister Nukaga, who will chair the meeting, showed his enthusiasm, noting, "We must send a message that will lead to stabilizing the monetary market and the global economy."

The statement issued after the G-7 in April last year boasted that the global economy achieved the most powerful, sustainable expansion in more than 30 years. Unlike last year, the Tokyo G-7 will serve as a venue for leading countries to share a perception of the crisis and confer on what measures they can take.

The situation is above all serious in the U.S., the center of the crisis. Its economy has already lost steam with its growth rate marking only 0.6% in the October-December quarter last year. There is concern that housing prices, the symbol of the economic bubble, could fall to the level of the Great Depression, according to Yale

University Professor Shiller. The U.S. reserves 150 billion dollars or approximately 16 trillion yen drawn from drawbacks as its fiscal policy. However, experts' views are divided regarding whether it can stave off a recession since 2001, when the IT bubble collapsed. If the U.S. economy, which is serving as the economic engine, loses steam, it could have a major impact on the global economy. As such, the present situation is indeed at the critical juncture.

International Monetary Fund (IMF) Managing Director Strauss-Kahn in late January said that countries that can make financial disbursements should do so. The U.S. is playing up that it has taken every possible domestic measure, as one senior White House Official noted. As such, some take the view that the U.S. would urge participants of the G-7 to adopt an economic stimulus package.

Japan, EU: Weakened sense of urgency, slow response

However, Japan and European countries are not feeling such a strong sense of urgency as the U.S. is. That is because European banks have tentatively recovered from a crisis, during which time they were unable to procure dollars. The decline of their economy in real terms is not so pronounced as the decline of the U.S. economy.

European Central Bank President Trichet is determined to give priority to containing the inflationary trend, saying, "Our compass has only one hand. That is stabilizing prices." He appears to have no intention of lowering interest rates. Regarding fiscal disbursements, too, European Commission President Barroso warned, "We must not be tempted to resort to a measure of artificially stimulating the economy."

In Japan, housing investment has dropped. There are also indications of personal consumption cooling off due to rises in the prices of products for daily use. However, the government's stance is that though weakness is observable in some quarters, personal consumption is recovering, according to State Minister for Economic and Fiscal Policy Hiroko Ota. Japan's policy interest rate is 0.5%, leaving little room for a further cut. Making fiscal disbursements is also difficult with the central and local governments strapped with combined long-term debts worth nearly 800 trillion yen.

A joint statement to be issued at the Tokyo G-7 is expected to note as a shared perception that the global economy is slowing. However,

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it will unlikely to include concerted action in the form of the invocation of financial and fiscal policies. Feasible measures would be no more than technical measures, such as how the authority should regulate the monetary market in order to prevent confusion, as a senior Finance Ministry official noted.

Another senior Finance Ministry official revealed the distress he is feeling, saying, "Only expectations of international cooperation are running alone. We as the chair of the G-7 are agonizing over the situation."

A point has been made for some time that the expansion of the U.S. economy could reach a limit. Americans who profited from the housing bubble have continued to buy goods from newly emerging countries, such as China, Japan and European countries, while their economy continued to suffer a current-account deficit, deepening the global imbalance. Fundamental problems would remain, even if the current crisis is tided over.

(8) Indonesia certain to reduce the current level of its LNG exports to Japan to one-fourth in 2010

YOMIURI (Page 9) (Full)
February 6, 2008

Japan imports liquefied natural gas (LNG) from Indonesia, but Indonesia is certain to drastically cut its exports of LNG to Japan in 2010. Indonesia's state-run oil company Pertamina and six major Japanese electric power companies are expected to finalize their negotiations possibly by the end of the month. LNG is used as material for electric power plant fuel as well as for utility gas.

On top of the currently soaring oil prices, if LNG imports from Indonesia, on which Japan depends for 22% of its total LNG imports, fall sharply, it could lead to hikes in electricity and gas rates.

"2010 problem" for LNG; Shortage of 10 million tons of LNG

Business negotiations between the Indonesian state-run oil company Pertamina and Japanese firms, including Kansai Electric Power Co., will reach the final phase on Feb. 19. The talks are now focusing on the price of LNG to be exported from the Bongtang LNG plant to Japan. Exports of LNG from Indonesia to Japan are expected to be reduced 25% on an annual basis from the current 12 million tons to an eventual 2-3 million tons.

The reason why Indonesia has made a policy switch that gives more weight to domestic consumption of energy resources is because of a general shortage of energy resources and soaring prices worldwide. Initially, Indonesia intended to halve the current level of its LNG exports to Japan, but it has now decided to further reduce the exported amount. By simple calculation, it is estimated that Japan will suffer a shortfall of 9-10 million tons of LNG annually.

Kansai Electric Power plans to cope with this shortage by importing LNG from Australia or increasing the volume of imports from the current LNG suppliers. But development of LNG is now stagnant worldwide because of the high cost and low profitability from constructing new LNG plants.

In fact, under the Sakhalin II project, an oil and gas development project off the coast of Sakhalin in Russia, the initial plan was to supply LNG to Japan in 2008, but this plan is likely to be delayed

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until the spring of 2009. Australia's Gorgon project intended to export 42 million tons of LNG annually to Japan starting in 2010, but this schedule is most likely to be delayed until 2012 or later.

Concern about rising costs

The government is taking a wait-and-see attitude toward [LNG negotiations between Japan and Indonesia], with the Ministry of Economy, Trade and Industry saying that these are between private-sector firms. In addition, a senior official of the Natural Resources and Energy Agency said optimistically: "Procurement of LNG from Qatar and spot purchases of LNG are available." But Qatar is known for its bullish way of negotiations. Spot purchasing, too, is very risky because it is affected by market prices.

There are some 100 LNG-based electric power plants across Japan. Given LNG's good combustion efficiency and its low level of emission of carbon dioxide, demand for it is expected to grow even higher in the future.

Meanwhile, the United States and Europe, which have been importing natural gas mainly in the form of pipelines, are raising their levels of imports of LNG. China and India are doing the same. A leading trading house official predicts, "The LNG supply and demand balance will become tight worldwide around 2010."

Wako University Prof. Koichi Iwama (of natural resources and energy) noted: "Spot prices are 1.5-2 times higher than long-term contracted prices, and the price gap is highly likely to expand even more in the future."

Electric power and gas companies are expecting the government to back the negotiations, with one company official saying: "We hope the government will back us in negotiations by means of using official development assistance so that the negotiations will proceed in our favor."

Japanese firms bustling about looking for new suppliers

Japanese oil companies and trading houses are continuing their efforts in various ways to secure energy resources.

Nippon Oil Company during a period from last November to December

acquired oil-drilling rights in three unexplored oil fields in Southeast Asia, including offshore southern Vietnam. Itochu will launch a project exploring offshore oil fields in the north of the United Kingdom.

In last October, Tokyo Gas secured a 5% stake in the drilling rights over natural gas fields offshore in the west of Australia. Tokyo Gas is the first company among domestic electric power and gas companies to take part in such a project from the stage of exploration. Tokyo Gas Overseas Project Director General Shigeru Hamada said: "It is significant because it will make it possible for our company as a development partner to secure gas smoothly."

Meanwhile, natural resources development projects tend to be affected by the desires of developing countries, as seen in the case of Sakhalin II project, in which the Japanese side was pressured by Russia on the pretext of environmental destruction to lower its investment ratio.

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Japan is extremely hopeful about the Sakhalin I project, but there is a possibility that the natural gas will be sold to China. The road ahead for Japan to secure natural resources remains difficult.

(9) Will Nobuteru Ishihara in Yamasaki faction declare candidacy for LDP presidential election?

SHUKAN SHINCHO (Page 43 & 44) (Slightly abridged)
February 14, 2008 issue

Seeing public support for the Fukuda cabinet remaining low, some observers are speculating that the cabinet might be forced to resign en masse before dissolving the House of Representatives. At such a time, former Policy Research Council Chairman Nobuteru Ishihara, 50, who is dubbed as "one of the thoroughbreds" in the Liberal Democratic Party (LDP) [given his famous father Shintaro], made a remark that could be taken as a declaration of his candidacy for the next party presidential election.

Ishihara appeared as a guest in the BS 11 news program "INsideOUT" on Jan. 31.

Ishihara joined the Yamasaki faction last December after seven years of belonging to no faction in the LDP. Asked by the moderator why he had joined the Yamasaki faction, Ishihara replied:

"When I was engaged in drafting the new antiterrorism bill as chairman of the Policy Research Council, Mr. Yamazaki, who was serving as chairman of the panel responsible for the legislation work at that time, invited me to join his faction. I asked, 'Why are you inviting me?' He replied: 'I just have a gut feeling about you.' I think we share the same kind of spirit."

When the moderator touched on the next LDP presidential election, Ishihara made the following remark:

"I know Mr. Yamazaki's mind very well, but I have yet to establish good contacts inside the faction. Even so, if some were to call on me to run in the presidential race, I would like to establish firm personal relations and make efforts to respond to such calls."

This is a considerably bold statement for Ishihara, who has given the image of being an irresolute man.

A deskman of a certain political department commented:

"It was the first time for Mr. Ishihara to refer to the possibility of putting himself forward as a candidate for the LDP presidential race. ... He is eager to run in the next presidential election. I think it was a declaration of candidacy in effect. Mr. Ishihara used to be a member of the group led by former Prime Minister Abe. Mr. Abe dislikes Mr. Yamazaki. Despite that, he joined the Yamasaki faction, probably showing his eagerness to file his candidacy for the presidential election."

In the Yamasaki faction, there is no influential successor to Yamasaki. Given this, Yamasaki reportedly invited Ishihara to join his party, while also keeping in mind the possibility of fielding him as a candidate for the presidency.

An LDP member said: "Since he has been regarded as a candidate for the next presidency, he has put his minds to it." The member added:

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"In a TV program the other day, one commentator called Ishihara the third candidate, following Aso and Tanigaki. When I told that to Mr. Ishihara, he grinned broadly, saying, 'No way'."

Ishihara ran about in confusion over the challenge of reforming road-related public corporations. He accomplished no remarkable achievements as deputy secretary general or Policy Research Council chairman in the Abe administration. We think he has yet to have enough capacity as a politician, but one LDP lawmaker said:

"Former House of Councillors Chairman Mikio Aoki has highly evaluated Mr. Ishihara. I think it is fully possible that Mr. Ishihara will run in the next presidential race. Mr. Ishihara in the LDP is seen as a captivating person to the elderly members. In the earlier Upper House election, he went to Shimane Prefecture to make campaign speeches three times in response to Mr. Aoki's request, cancelling planned speeches. Many veteran members call him a nice young man."

Ishihara has earnestly attended faction meetings and study meetings. He has also dined with faction members, in an attempt to forge a solid footing in the faction.

A Yamasaki faction member said: "It is impossible for Yamasaki to run in the presidential race, because he has been tainted with a scandal involving a woman. Economy, Trade and Industry Minister Amari, who is aiming to succeed Yamasaki, will support Aso. Under such a situation, it is fully conceivable that our faction will back Ishihara."

DONOVAN